

**13th ANNUAL REPORT
2000-2001**

**KRISHNA FILAMENTS
LIMITED**

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**Registered Office
Betegaon Village, Boisar (East), Taluka Palghar Dist. Thane - 401 501**

THIRTEENTH ANNUAL REPORT 2000-2001

BOARD OF DIRECTORS

Mr. K.K. Agarwal
Mr. M.M. Jayakar
Mr. MSR Srinivasa

Chairman & Managing Director
Director
Director

AUDITORS

M/s. Haribhakti & Co.,
Chartered Accountants
Mumbai

BANKERS

Syndicate Bank
State Bank of India
Karnataka Bank
ICICI Banking Corporation Limited
Central Bank of India

SOLICITORS AND ADVOCATES

Little & Co., Mumbai
Gagrat & Co., Mumbai

REGISTERED OFFICE & FACTORY

Bategaon Village,
Boisar (E), Tal. Palghar,
Dist. Thane - 401 501.
Maharashtra, India

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Private Limited
260-A, Shanti Industrial Estate
Sarojini Naidu Road
Mulund (W), Mumbai 400 080

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Register of Members and the Share Transfer Register of the Company shall remain closed from 1st May, 2001 to 5th May, 2001 (Both days inclusive).
4. Documents referred to in any of the items of the Notice are available for inspection at the Registered Office of the Company on any working day except Saturday during business hours of the Company between 11.00 A.M. and 1.00 P.M.
5. Please note that as per the Notification of SEBI, the Krishna Filament Limited's shares have been under compulsory Demat trading, with effect from 31st May, 1999 for all the investor's. You are therefore requested to demat your Shares holding, to avoid inconvenience in future.
6. Members are also requested to notify changes in address, if any, immediately to the Company's REGISTRAR & SHARE TRANSFER AGENTS - Intime Spectrum Registry Private Limited, 260-A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai 400 080.
7. Members of the Company holding more than one share Certificate in the same name under different ledger folios are requested to apply for consolidation of such folios and send the relevant Equity Share Certificates to the Company's REGISTRAR & SHARE TRANSFER AGENTS - Intime Spectrum Registry Private Limited, 260-A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai 400 080.
8. The Company has listed its shares at :
 - a. The Stock Exchange, Mumbai
 - b. National Stock Exchange of India

The listing fees for these exchanges have been paid on time.

KRISHNA FILAMENTS LIMITED

DIRECTORS' REPORT

To
The Members,

Your Directors present the Thirteenth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2001.

1. Financial Results

(Rupee in Lakhs)

Description	Year Ended 31-03-2001	Year Ended 31-3-2000
Profit before Interest, Depreciation & Tax	(1,340.55)	695.90
Interest	2,926.39	2,860.83
Profit/(Loss) before Depreciation and Tax	(4,266.94)	(2,164.93)
Depreciation	1,978.47	1,953.35
Profit/(Loss) before Tax & Provisions	(6,245.41)	(4,118.28)
Provision for Diminution in Value of Investment	637.14	Nil
Provision for Bad Debts	1953.88	Nil
Provision for Tax	Nil	Nil
Profit/(Loss) after Tax	(8,836.43)	(4,118.28)
Add : Non-operating loss	(1.51)	(877.36)
Add : Prior period and extra ordinary items	(0.94)	(857.64)
Add : Surplus b/f from the previous year	(3,181.91)	2,671.37
Amount available for appropriation	(12,020.79)	(3,181.91)
Balance carried forward to Balance Sheet	(12,020.79)	(3,181.91)

2. Dividend

In view of the losses incurred by the Company during the year under review, your directors regret their inability to declare any dividend on equity shares of the Company.

3. Operations and Outlook

During the year under review the company could achieve sales turnover of Rs. 2,165.22 Lakhs only as against the sales turnover of Rs. 12,261.60 Lakhs in the previous year. The fall in the sales was mainly due to the contingency prevailing in the Company on account of action taken by the Financial Institution and various outside Agencies against the company. The loss of the Company has also gone up from Rs. 4,995.64 Lakhs in the previous year to Rs. 8837.94 Lakhs in the current year. The major factors contributing towards increase in losses are Depreciation, Provision for Doubtful Debts and provision for Diminution in the Value of investment.

7. Audit Committee

In pursuance of the Companies Amendment Act, 2000, the company has formed Audit Committee.

Functions of the Committee:

- ◆ Review with the management and/or Internal Audit Department and/or Statutory Auditors.
 - ❖ Company's Financial Statements and Reports,
 - ❖ Disclosure of Company's financial information to ensure the same are correct, sufficient and credible,
 - ❖ Changes/improvement in financial/accounting practices,
 - ❖ Adequacy of Internal Audit function and systems; and
 - ❖ Charter of Audit Committee
- ◆ Hold Discussions with
 - ❖ Statutory Auditors, before and after audit on the scope and area of concern;
 - ❖ Internal Audit Department on its significant findings and also failure of internal control systems, if any; and
 - ❖ Management before submission of Financial Statements to the Board
- ◆ Look into reasons for substantial defaults in payment to Debenture Holders, Financial Institutions and Bankers.
- ◆ Compliance with Accounting Standards, legal requirements and ethical codes.

8. Auditors

M/s. Haribhakti & Co., Chartered Accountants, Mumbai retire as auditors of the company and have given their consent for reappointment.

9. Auditors' Report

The observations and qualifications made by auditors in the Auditors' Report are explained as under:

- ◆ With reference to point no. II (d) in the Auditor' Report, the company has not capitalised a sum of Rs. 373.50 Lakhs as part of fixed assets, which is not in conformity with Accounting Standard – 10 on "Accounting for Fixed Assets".

The company has not made Interest provision on its Non-Convertible debentures for the period from 15.03.1999 to 31.03.1999, which if provided, would have been capitalised as part of fixed assets. The non-provision of interest was caused by the poor liquidity in the company. In addition to this please also refer note No. 5 of Schedule V to the Balance Sheet.

- ◆ With reference to point no. II (f) in the Auditors' Report, during the year, Financial Institutions and Bankers of the Company have recalled their credit facilities extended to the company and consequently have initiated legal proceedings to recover the same. This has adversely affected the functioning of the company.

The expected commercial production of the expanded capacity of the company, which was delayed due to various internal & external forces beyond the control of the management, had affected the internal accruals of the company, ultimately resulting into default in the interest repayment on the borrowings made by the company to fund such expansion project.

- ◆ With reference to point no. II (j)(i) in the Auditors' Report, regarding Non-provision of interest on the Non-convertible Debentures issued by the company.

The same has already been dealt in the previous para.

- ◆ With reference to point no. II (j)(ii) in the Auditors' Report, confirmation of loans and advances, Sundry Debtors and Sundry Creditors are not available.

The company has sent the balance confirmation requests to all the major parties. However the same were to be received by the company as on the date of the Balance Sheet.

10. Particulars Of Employees

There were no employees drawing a salary in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

19. Conservation of Energy, Technological Absorption, Foreign Exchange Earnings and Outgo

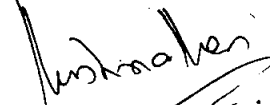
In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed to this report.

19.1 Acknowledgements

The Board of Directors desires to place on record, its appreciation for the co-operation and continued support to the Company by Bankers and Financial Institutions. The Board of Directors also wishes to thank the Company's members and esteemed business associates for their valued contributions and support.

The Board of Directors also takes the opportunity to acknowledge the dedicated efforts by workers, staff and officers and their contribution to the achievements of the Company.

For and on behalf of the Board,


K. K. AGARWAL
Managing Director

Place : Boisar

Date : 3rd April, 2001

Registered Office :

Betegaon Village, Boisar (E),

Tal. Palghar,

Dist. Thane - 401 501.

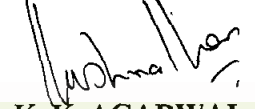
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ANNEXURE TO DIRECTORS' REPORT

- a. **Conservation of Energy** : The above details are not required to be given by the Company in Form A as our activities do not fall under list of industries specified in the Schedule attached to Rule 2. Ours is not a major power consuming industry.
- b. **Technology absorption** : The Company has done R & D work to design ropes of higher rating for shipping. The Company has also designed ropes for other purposes such as fishing.
- c. **Foreign Exchange Earnings and Outgo:**

		Rupee in lacs	
	PARTICULARS	2000-2001	1999-2000
1	Foreign Exchange earned :		
	Export of Goods on FOB Basis	Nil	3,714.53
2	Outgo of Foreign Exchange :		
	Value of Imports (CIF)		
	(a) Raw Material	1.28	508.92
	(b) Capital Goods	Nil	0.00
3	Expenditure in Foreign Currencies	0.09	14.01

For and on behalf of the Board,


K. K. AGARWAL
Managing DirectorPlace : Boisar
Date : 3rd April, 2001Registered Office :
Betegaon Village, Boisar (E),
Tal. Palghar,
Dist. Thane - 401 501.

HARIBHAKTI & CO. CHARTERED ACCOUNTANTS

42, FREE PRESS HOUSE, 215, NARIMAN POINT, MUMBAI - 400 021. ☎ : 287 10 99 VBH - 287 18 06 • Fax : 285 62 37
19-21, BOMBAY MUTUAL CHAMBERS, AMBALAL DOSHI MARG, MUMBAI - 400 001. ☎ 265 36 01 (Direct) 262 63 45 • Fax : 265 62 60
E-MAIL: hbnakti@vsnl.com • Website : www.haribhakti.group.com

AUDITORS' REPORT TO THE MEMBERS OF KRISHNA FILAMENTS LIMITED

We have audited the attached Balance Sheet of **KRISHNA FILAMENTS LIMITED** as at 31st March, 2001 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto and report that:

- I. As required by the Manufacturing And Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by Law have been kept by the Company, so far as appears from our examination of these books;
 - c) the Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account;
 - d) *in our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards as referred to in section 211(3C) of the Companies Act, 1956, to the extent applicable to the Company except that as mentioned in Note No. 10, a sum of Rs. 373.50 Lakhs has not been capitalised as a part of Fixed Assets, which is not in conformity with Accounting Standard - 10 on "Accounting for Fixed Assets".*
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, dealt with by this Report, read together with the Notes thereon, give the information required by the Companies Act, 1956 in the manner so required.
 - f) *during the year, Financial Institutions and Bankers of the Company have recalled their credit facilities extended to the Company and consequently have initiated legal proceedings to recover the same. This has adversely affected the functioning of the company.*



Associated Office in India : Ahmedabad, Bangalore, Bhopal, Calcutta, Chandigarh, Chennai, Goa, Hyderabad, Jodhpur, New Delhi and Pur